

**LAFAYETTE ASSOCIATION FOR
RETARDED CITIZENS, INC.
Lafayette, Louisiana**

**AUDIT REPORT
June 30, 2010**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

Release Date 2/16/11

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CONTENTS

	Page
Independent Auditors' Report on the Basic Financial Statements and Additional Information	1
Statement of Financial Position	3
Statement of Activities	4
Statement of Functional Expenses	5
Statement of Cash Flows	7
Notes to Financial Statements	8
Schedule of Activities by Component	12
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards.....	14
Summary of Prior Year Findings and Management's Corrective Action Plan.....	16

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INDEPENDENT AUDITORS' REPORT ON THE BASIC FINANCIAL STATEMENTS AND ADDITIONAL INFORMATION

The Board of Directors
Lafayette Association for
Retarded Citizens, Inc.
Lafayette, Louisiana

We have audited the accompanying statement of financial position of Lafayette Association for Retarded Citizens, Inc., (a nonprofit organization) as of June 30, 2010, and the related statements of activities, functional expenses, and cash flows for the year then ended. These financial statements are the responsibility of the Association's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Lafayette Association for Retarded Citizens, Inc., as of June 30, 2010, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 17, 2010, on our consideration of the Association's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of Lafayette Association for Retarded Citizens, Inc., taken as a whole. The accompanying additional information contained in the schedule of activities by component is presented for purposes of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly presented, in all material respects, in relation to the basic financial statements taken as a whole.

AULD & ASSOCIATES

A handwritten signature in cursive script, likely reading "Auld & Associates", written in black ink.

Certified Public Accountants

Lafayette, Louisiana
November 17, 2010

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.
Lafayette, Louisiana
STATEMENT OF FINANCIAL POSITION
June 30, 2010

ASSETS

CURRENT ASSETS

Cash	\$1,432,252	
Accrued Interest Receivable	4,889	
Accounts Receivable (net of allowance for doubtful accounts of \$5,000)	770,675	
Contributions Receivable	6,000	
Inventory	15,945	
Work in Progress	7,000	
Deposits	31,534	
Prepaid Expenses	<u>4,500</u>	
Total Current Assets		\$2,272,795

OTHER ASSETS

Certificates of Deposit		2,307,978
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PLANT ASSETS

Buildings	\$4,528,789	
Furniture and Fixtures	97,980	
Machinery and Equipment	640,694	
Transportation Equipment	625,364	
Land	<u>112,099</u>	
Totals	\$6,004,926	
Less: Accumulated Depreciation	<u>3,829,808</u>	
Total Plant Assets		<u>2,175,118</u>

TOTAL ASSETS

\$6,755,891

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES

Accounts Payable	\$ 63,054	
Accrued Payroll and Payroll Taxes	115,354	
Deferred Revenue	<u>8,700</u>	
Total Current Liabilities		\$ 187,108

NET ASSETS

Unrestricted		
Operating	\$4,393,665	
Plant Assets	<u>2,175,118</u>	
Total Net Assets		<u>6,568,783</u>

TOTAL LIABILITIES AND NET ASSETS

\$6,755,891

See accountants' report and accompanying notes to financial statements.

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.
Lafayette, Louisiana
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2010

		<u>Unrestricted Net Assets</u>
REVENUE AND PUBLIC SUPPORT		
Revenue		
Program Revenues	\$5,637,886	
Interest Income	61,199	
Membership Dues	2,653	
Other Revenue	2,865	
Loss on Disposition of Assets	<u>(22,750)</u>	
Total Revenue		\$5,681,853
Public Support		
Contributions	\$ 247,928	
Special Events	<u>315,186</u>	
Total Public Support		<u>563,114</u>
TOTAL REVENUE AND PUBLIC SUPPORT		<u>\$6,244,967</u>
FUNCTIONAL EXPENSES		
Program Services		
Vocational Services	\$2,317,185	
Residential Services	1,762,034	
Community Supports and Services	1,098,692	
Acadian Village	<u>273,697</u>	
Total Program Services		\$5,451,608
Supporting Services		
Management and General	\$ 635,513	
Fund-raising	<u>190,027</u>	
Total Supporting Services		<u>825,540</u>
TOTAL FUNCTIONAL EXPENSES		<u>\$6,277,148</u>
DECREASE IN NET ASSETS		\$ (32,181)
NET ASSETS, BEGINNING OF YEAR		<u>6,600,964</u>
NET ASSETS, END OF YEAR		<u>\$6,568,783</u>

See accountants' report and accompanying notes to financial statements.

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.

Lafayette, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2010

	PROGRAM SERVICES			SUPPORTING SERVICES			TOTALS
	Vocational Services	Residential Services	Community Supports and Services	Acadian Village	Total Program Services	Management & General	Fund-raising
Salaries	\$1,194,784	\$51,429	\$97,417	\$1,189	\$3,114,023	\$377,860	\$43,756
Client Salaries	119,418				317,916		
Payroll Taxes	116,250	75,351	69,849	7,260	267,710	28,332	3,532
Employee Benefits	112,162	55,825	19,378	3,524	190,689	19,983	1,417
Professional Services	9,297	94,903	1,371	281	105,852	29,281	
Insurance	133,647	77,823	43,252	26,887	281,209	16,179	1,915
Supplies	25,068	51,612	14,549	4,838	96,917	11,284	1,582
Repairs & Maintenance	23,773	61,427	6,770	50,052	142,022	30,664	688
Telephone	7,618	11,772	3,602	6,434	29,428	10,483	
Travel	6,390	3,642	25,645	1,570	37,247	12,377	1,971
Commodities							
TOTAL SALARIES & RELATED EXPENSES	\$1,762,104	\$1,089,390	\$989,559	\$ 102,511	\$3,913,664	\$433,121	\$51,189
Contractual Expenses							
Work Activity Expenses							
Insurance							
Professional Services							
Supplies							
Repairs & Maintenance							
Telephone							
Travel							
Commodities							

See accountants' report and accompanying notes to financial statements.

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.

Lafayette, Louisiana

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2010

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTALS
	Vocational Services	Residential Services	Community Supports and Services	Acadian Village	Total Program Services	Management & General	Fund-raising
Taxes & Licenses		183,431	1,201		184,631		
Postage	237	237	679	177	1,243	1,315	1,339
Advertising & Marketing	1,076		801	1,665	3,542	7,025	7,230
Dues & Subscriptions	109	608	50	685	1,432	7,763	
Professional Fees				5,092	5,092		
Insurance Expense						15	
Rent & Leases	42,566	5,342	2,169		50,067	10,677	60,744
Employee Incentives					0	10,341	10,341
Depreciation					5,552	2,117	7,669
Charitable Contribution					10	14,570	14,580
Miscellaneous Expense	1,824	2,641	1,794	102	6,361	8,486	580
TOTAL FUNCTIONAL EXPENSES BEFORE DEPRECIATION	\$2,237,249	\$1,692,946	\$1,086,125	\$247,327	\$5,263,647	\$608,669	\$180,164
Depreciation	79,159	33,066	12,547	29,970	87,981	25,724	7,333
TOTAL FUNCTIONAL EXPENSES	\$2,317,185	\$1,762,034	\$1,098,692	\$273,697	\$5,451,608	\$635,513	\$190,027
							\$6,277,148

See accountants' report and accompanying notes to financial statements.

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.
Lafayette, Louisiana
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2010

CASH FLOWS FROM OPERATING ACTIVITIES	
Decrease in Net Assets	\$ (32,181)
Adjustments to Reconcile Increase in Net Assets to	
Net Cash Provided by Operating Activities	
Depreciation	224,668
Loss on Disposition of Assets	22,750
Non-Cash Contributions	(78,703)
(Increase) Decrease in Operating Assets	
Accrued Interest Receivable	2,921
Accounts Receivable	(341,950)
Due from Foundation for Retarded Citizens, Inc.	1,433
Inventory	(1,338)
Work in Progress	8,490
Deposits	(2,349)
Prepaid Expenses	3,894
Increase (Decrease) in Operating Liabilities	
Accounts Payable	34,664
Accrued Payroll and Payroll Taxes	25,900
Deferred Revenue	<u>3,050</u>
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (128,751)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Redemption of Certificates of Deposit	\$1,105,847
Purchase of Certificates of Deposit	(901,147)
Proceeds from Sale of Assets	600
Payments for Property and Equipment	<u>(450,544)</u>
NET CASH USED BY INVESTING ACTIVITIES	<u>\$ (245,244)</u>
NET DECREASE IN CASH	\$ (373,995)
CASH AT BEGINNING OF YEAR	<u>1,806,247</u>
CASH AT END OF YEAR	<u>\$1,432,252</u>
SUPPLEMENTAL DISCLOSURES	
Non-Cash Investing and Financing Activities	
Property and Equipment acquired with non-cash contributions	<u>\$ 78,703</u>
Interest Paid	<u>\$ 13</u>

See accountants' report and accompanying notes to financial statements.

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.
Lafayette, Louisiana
NOTES TO FINANCIAL STATEMENTS
June 30, 2010

NOTE 1 - NATURE OF ACTIVITIES AND SIGNIFICANT ACCOUNTING POLICIES

NATURE OF ACTIVITIES

The Association administers programs for the benefit of retarded citizens in an eight-parish area of Southwest Louisiana. Funding of these programs is primarily from governmental sources. Also, the Association operates Acadian Village, a living museum visited by tourists and used by the community for public events. The Village primarily generates revenue by admission, gift shop sales, and rental of its facilities. The Village employs the clients of the Association to maintain and operate the facility as a part of the work activity programs.

FINANCIAL STATEMENT PRESENTATION

The financial statements of the Association are prepared on the accrual basis of accounting. This means revenues are recognized when earned and expenses are recognized when incurred. Also, the financial statement presentation follows the recommendations of the Financial Accounting Standards Board (FASB) in its Accounting Standards Codification (ASC) Topic 958, *Not-for-Profit Entities*.

PLANT ASSETS

Plant assets are stated at cost or, if donated, at fair market value at date of receipt. The Association capitalizes all plant assets with a cost, or value if donated, in excess of \$500. Depreciation is calculated on a straight-line basis over estimated useful lives ranging from four to thirty years. Depreciation expense for the year ended June 30, 2010, is \$224,668. The Association has historical buildings in the amount of \$284,930 which are exempt from depreciation under FASB ASC 958-360-35-3.

CASH AND CASH EQUIVALENTS

For purposes of the Statement of Cash Flows, currency, demand deposits, and repurchase agreements are considered cash.

ACCOUNTS RECEIVABLE

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible accounts through an adjustment to earnings and an adjustment to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Changes in the valuation allowance have not been material to the financial statements.

USE OF ESTIMATES

Financial statements are prepared in conformity with generally accepted accounting principles. These principles require management to make estimates and assumptions affecting certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

INCOME TAX STATUS

The Association is exempt from federal income tax under Internal Revenue Code Section 501(c)(3). It is not a private foundation under Section 509(a)(2) of the Internal Revenue Code.

FUNCTIONAL EXPENSE ALLOCATIONS

A summary of the costs of providing various program and supporting services is in the statement of functional expenses. Accordingly, certain costs are allocated between the programs and supporting services benefited.

CONTRIBUTED SERVICES

Many volunteers have donated significant amounts of time to the Association's special events. No amounts are recognized in the statement of activities because the criteria for recognition under FASB ASC 958-605-25-16 have not been satisfied.

INVENTORY

Inventory of Acadian Village Store merchandise is valued at the lower of cost or market. Cost is determined on the first-in, first-out method.

ADVERTISING COSTS

Advertising costs of \$17,797 were expensed as incurred.

EVALUATION OF SUBSEQUENT EVENTS

Subsequent events and transactions were evaluated for potential recognition or disclosure in the financial statements through November 17, 2010, the date the financial statements were available to be issued.

NOTE 2 - CONTRIBUTIONS RECEIVABLE

Contributions receivable consist of an amount due from United Way of Acadiana. This contribution has been collected. Therefore, no allowance for uncollectible pledges has been recorded.

NOTE 3 - CONCENTRATIONS OF CREDIT RISK

The Association maintains cash in several accounts at several local banks. Cash at these institutions exceeded federally insured limits. The amount in excess of federal insurance limits totaled \$859,755 at June 30, 2010. One financial institution has pledged \$732,342 of U. S. government agency securities as collateral to cover the excess.

Credit risk with respect to accounts receivable is limited because approximately 90% of the balances are receivable from governmental sources.

NOTE 4 - CHANGE IN ACCOUNTING ESTIMATE

The useful lives of several depreciable assets were changed during the year ended June 30, 1998. The effect of these changes was to increase depreciation expense and thereby decrease net assets by \$12,005 for the current year.

NOTE 5 - LABOR UNION

Approximately sixty-six (66%) of employees are covered by a collective bargaining agreement with Local 100, Service Employees International Union of the AFL-CIO (the Union). The collective bargaining agreement expires October 31, 2011. In the Association's opinion, the collective bargaining agreement will have no material adverse effect on operations.

NOTE 6 - RISKS AND UNCERTAINTIES

The State of Louisiana is the primary source of revenue for the Association. In the future, financial problems of the State of Louisiana may result in reduced funding. It is possible certain programs may be severely affected by these declining revenues. However, management believes changes can be incorporated into the continuing operations without a catastrophic result.

NOTE 7 - GIFTS OF FUTURE INTERESTS

Certain individuals have named the Association as a charitable beneficiary to their estate. In some cases, restrictions apply to the use of these future funds. However, the Association has no future guarantee to the use or access of these assets. The Association's right as a beneficiary, and the economic value, is subject to potential change.

NOTE 8 - EMPLOYEE BENEFIT PLAN

The Association maintains a qualified defined contribution profit sharing plan with a 401(k) deferred compensation provision. All employees who are at least 21 years of age and have completed one year of service including a minimum of 1,000 hours of service are eligible to participate in the plan. The plan provides for partial vesting of employer contributions after two years and full vesting after four years of service. Employee contributions are 100% vested. Employees may contribute up to 15% of their pretax income. The Association's contribution is discretionary and is determined annually by the Board of Directors. A discretionary contribution of \$28,682 was made for the year ended June 30, 2010.

NOTE 9 - LEASES

The Association subleases retail space under a sublease agreement which began November 1, 2009, and ended October 31, 2010, payable in monthly installments of \$4,500. The lease automatically renewed on November 1, 2010, and will expire on October 31, 2011. Rent expense for the year ended June 30, 2010, is \$36,000.

The Association leases four copiers and a mailing system under operating leases expiring between December, 2011, and November, 2014. In the normal course of business, operating leases are generally renewed or replaced by other leases. Total lease expense for the year ended June 30, 2010, is \$24,744.

Minimum future rental payments under noncancelable operating leases for each of the next five years and in the aggregate are:

Year Ending June 30, 2011	\$19,595
Year Ending June 30, 2012	13,242
Year Ending June 30, 2013	3,673
Year Ending June 30, 2014	1,633
Year Ending June 30, 2015	681
Total minimum future rental payments	<u>\$38,824</u>

NOTE 10 - RELATED PARTY TRANSACTIONS

During the year ended June 30, 2010, the Association purchased equipment and installation services from a corporation primarily owned by a member of the LARC Board of Directors. The cost of the equipment and installation services for the year ended June 30, 2010, totaled \$15,532.

The Association received contributions totaling \$30,617 from the Foundation for Retarded Citizens, Inc. The Foundation was established to receive, invest, and distribute funds in furtherance of the purposes of LARC. The membership of the Foundation for Retarded Citizens is comprised of LARC's Board of Directors. The Foundation's Board of Directors includes LARC's Board President and Treasurer and three members of the community appointed by LARC's Board of Directors.

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.
Lafayette, Louisiana
SCHEDULE OF ACTIVITIES BY COMPONENT
For the Year Ended June 30, 2010

	PROGRAM SERVICES			SUPPORTING SERVICES		TOTALS
	Vocational Services	Residential Services	Community Supports and Services	Acadian Village	Management & General	Fund-raising
REVENUE & SUPPORT						
Program Revenue	\$2,150,160	\$2,159,836	\$1,134,676	\$101,225	\$5,537,895	\$5,537,895
Christmas Program					\$116,186	\$116,186
Other	151,537	7,336	3,459	13,372	\$118,081	\$291,885
TOTAL REVENUE & SUPPORT	\$2,311,787	\$2,167,172	\$1,138,134	\$196,597	\$5,813,690	\$6,244,967
EXPENSES						
Salaries	\$1,194,154	\$ 951,129	\$ 877,372	\$ 91,368	\$3,114,023	\$3,537,679
Client Salaries	317,915				317,915	317,915
Payroll Taxes	175,520	77,361	\$1,69,841	7,220	267,710	267,710
Employee Benefits	112,162	65,526	19,378	3,524	\$190,689	\$212,089
Pension Plan Contribution	12,623	7,285	2,980	359	23,227	30,617
Cost of Goods Sold				23,416	23,416	23,416
Non-Cash Depreciation	51,575				51,575	51,575
Repairs	133,447	37,621	6,552	5,687	16,179	238,315
Professional Services	9,297	94,903	1,371	281	29,281	135,133
Utilities & Garbage	38,616	36,567	6,332	19,921	8,866	110,301
Food	10,351	58,900	6,347			74,586
Supplies	25,168	51,612	4,543	5,688	\$11,264	108,783
Repairs & Maintenance	23,773	61,427	6,770	50,052	30,554	173,264
Vehicle Repairs & Maintenance	54,487	2,894	1,221		2,694	61,196

See accountants' report and accompanying notes to financial statements.

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.
Lafayette, Louisiana
SCHEDULE OF ACTIVITIES BY COMPONENT
For the Year Ended June 30, 2010

	PROGRAM SERVICES				SUPPORTING SERVICES		TOTALS
	Vocational Services	Residential Services	Community Supports and Services	Acadian Village	Total Program Services	Management & General	Fund-raising
Travel	6,390	3,642	25,645	1,670	37,247	12,377	1,971
Conferences	833	369	523	150	1,875	1,880	
Advertising & Marketing	1,076		801	1,665	3,542	7,025	7,230
Dues & Subscriptions	109	608	50	665	1,432	7,763	
Conferences & Conventions							
Interest Expense							
Rent & Leases	42,566	5,342	2,159		50,067	10,677	
Employee Incentives					0	10,341	
Miscellaneous Expense	1,824	2,641	1,794	102	6,361	8,486	580
Depreciation	79,936	69,088	12,667	26,370	187,961	26,844	9,863
TOTAL EXPENSES	\$ 12,517,785	\$ 1,782,034	\$ 1,068,697	\$ 273,697	\$ 36,461,908	\$ 5,635,813	\$ 190,027
INCREASE (DECREASE) IN NET ASSETS	\$ (6,398)	\$ 405,138	\$ 39,442	\$ (77,100)	\$ 362,082	\$ (519,422)	\$ 125,169
							\$ (32,181)

See accountants' report and accompanying notes to financial statements.

AULD & ASSOCIATES

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Directors
Lafayette Association for
Retarded Citizens, Inc.
Lafayette, Louisiana

We have audited the financial statements of Lafayette Association for Retarded Citizens, Inc., (a nonprofit organization) as of and for the year ended June 30, 2010, and have issued our report thereon, dated November 17, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Association's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Association's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Association's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Association's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Association's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and Management of Lafayette Association for Retarded Citizens, Inc., applicable state and federal agencies, and the Louisiana Legislative Auditor. This report is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513, this report is distributed by the Louisiana Legislative Auditor as a public document.

AULD & ASSOCIATES


Certified Public Accountants

Lafayette, Louisiana
November 17, 2010

LAFAYETTE ASSOCIATION FOR RETARDED CITIZENS, INC.
Lafayette, Louisiana
SUMMARY OF PRIOR YEAR FINDINGS
AND MANAGEMENT'S CORRECTIVE ACTION PLAN
For the Year Ended June 30, 2010

1979-1. Buildings are recorded at appraisal values.

CONDITION: Certain buildings were restated to appraisal values on May 1, 1979. Generally accepted accounting principles require assets to be stated at acquisition cost, or if donated, recorded at their fair value at the date of gift. This situation requires a qualification in the audit report.

RECOMMENDATION: This qualification should continue until the appraised assets are disposed.

CURRENT STATUS OR ACTION TAKEN: This condition has been resolved.